

North China economy prepares for take-off

Yang XiaobingChina Daily Updated: 2006-03-17 05:46

China is entering a development stage in which its economic centre is shifting northward. During this process, the integration of the economies of Beijing, Tianjin and Hebei Province will hold the key to the country's development in the coming decades.

Since it initiated the reform and opening up drive, China has put its focus of economic development on southeast coastal regions. In 1979, Guangdong and Fujian provinces were allowed to adopt more flexible economic and foreign trade policies to spearhead national economic growth. At the same time, it established the Shenzhen and Zhuhai special economic zones, which laid down the foundation for the formation of the Pearl River Delta urban circle of Hong Kong-Shenzhen, Macao-Zhuhai and Guangzhou. These metropolitan belts have served as the most important engine for China's economic expansion over the past two and a half decades.

In recent years, however, the country's economic centre has gradually shifted to the north, especially in the wake of China's accession to the World Trade Organization in 2001. Since 1995, Shanghai replaced Shenzhen as the Chinese city attracting the most foreign investment. In 2002, the actually used foreign direct investment in the Pearl River Delta region was US\$11.33 billion, 5.01 per cent down compared on 2001. In contrast, the Yangtze River Delta region's actually used foreign investment was US\$17.54 billion, 30.7 per cent up year-on-year.

In the regions surrounding the Bohai Sea, including Northeast China's Heilongjiang, Jilin and Liaoning provinces, the growth momentum has also been strong in recent years. They absorbed US\$14 billion worth of foreign direct investment in 2003, a 9.41 per cent increase year-on-year, much faster than the national average rate of 1.44 per cent.

Compared with other city blocs, the Beijing-Tianjin-Hebei bloc, which is also in the Bohai Sea region, has the advantage of convenient international communications, advanced financial and trade environment and a well-structured industrial system.

The urban bloc is located at the junction of the country's northern, northeastern and northwestern regions. It is an important channel for China's northern regions to communicate with Northeast Asian and Pacific areas and also a starting point of the Eurasia Land Bridge linking China's inner regions and Central Asia, West Asia and Europe.

Domestically, the Beijing-Tianjin-Hebei bloc also enjoys a geographical advantage. It can easily reach northern and northwestern regions, and, on the basis of these regions, further expand economic and trade links into Mongolia and Central Asia. Therefore, this region can play a pivotal role in China's westwards development programme.

The bloc should make full use of its geographical advantages to tap the rich resources and markets of other regions. Moreover, it should play an important role in promoting the economic and trade exchanges of China's northern, northeastern and northwestern regions with the rest of the world.

The Beijing-Tianjin-Hebei bloc boasts the best national financial and trade service facilities, which facilitates local economic development.

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Beijing, as national capital and a major engine for the development of regions surrounding the Bohai Sea, must shoulder the task of managing the cultural, political and administrative affairs of the nation. Therefore, other economic centres of the region can concentrate on other functions different from those of Beijing. While Beijing can lean on national administration and development of culture and education, Tianjin can put more efforts into commercial development and trade. Beijing should optimize its potential for research and development, and Tianjin should put more resources into developing its manufacturing industry.

In this way, the two cities will form a co-ordinated high-quality platform to provide services for local economic development.

The Beijing-Tianjin-Hebei urban circle is able to establish a comprehensive financial market centred by securities trading, foreign exchange and financing activities.

Beijing is the macroeconomic, financial regulatory and policy-making centre of the country. It harbours a good number of headquarters of financial institutions and intermediary agencies, which boast superior management expertise and high-quality financial assets. Its financial sector contributes 15 per cent of its GDP growth. In particular, Beijing's banking assets amount to 220 billion yuan (US\$27.2 billion), accounting for 8.6 per cent of the national total.

Beijing has become increasingly attractive to international financial institutions. It has the most foreign financial institutions and highest financial assets surplus among all the regions of the country.

It is the national platform for information and decision-making, which is an incomparable advantage. This has given rise to its mature social administration, economic management, and advanced financial, trade, commercial, legal and consulting industries.

Tianjin has the potential to develop into a major local financial hub. It hosts headquarters of the central bank's North China branch, which makes it more accommodating for domestic commercial banks to establish branches.

Moreover, Tianjin is planning to set up the Bohai Sea Bank, which has secured the approval from the State Council. The bank will be the first Chinese national commercial bank that will introduce foreign strategic investment right from the start.

All this will facilitate the establishment of regional property rights transaction, bills, securities, second board and offshore financial markets in Tianjin.

Besides, Tianjin, backed up by a number of institutions of higher learning, boasts an elite pool of technological and educational resources. It has laid down foundation for Tianjin to catch up with the global technological development and created advanced cultural and entertainment industries.

The Beijing-Tianjin-Hebei urban bloc has a comprehensive industrial structure.

The region boasts a rich reserve of natural resources, such as marine resources, minerals, oil, gas and coal. They provide fuel for the industrial development of the region and have helped it build a solid heavy industry foundation over the past decades. The region is the country's base of heavy and chemical industries. It has formed a comprehensive industrial structure centred on the petrochemical, electronic, steel, building material and machinery industries, providing the nation with varieties of energy, raw material and information products.

As China further expands its economy in the coming years, its resource consumption will increase continually. As it embraces the upgrading of industrial and consumption structure, China will have an

increasing thirst for resources. Against this backdrop, the heavy industries, such as energy, chemical, metallurgical, heavy machinery, ship and auto-making and new material industries, will find a larger market. The Beijing-Tianjin-Hebei region will enjoy a great competitive edge in this process.

As reform of State-owned enterprises deepens and the national projects that transfer natural gas and electricity from the energy-rich western regions to the east and water from southern regions to the north continue, the region will become more attractive for outside investment.

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